

2026 INTERIM REPORT



CREATE SHARED VALUE

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BANK OF COMMUNICATIONS (HONG KONG) LIMITED
INTERIM REPORT 2026

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Review Report to the Board of Directors of Bank of Communications (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)



Introduction

We have reviewed the interim financial report set out on pages 3 to 46, which comprise the unaudited interim statement of financial position of Bank of Communications (Hong Kong) Limited (the “Bank”) as of 30 June 2026 and the related unaudited interim statement of profit or loss and other comprehensive income and unaudited interim statement of changes in equity and unaudited condensed interim statement of cash flows for the six-month period then ended, and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2026 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

17 September 2026

Unaudited Interim Statement of Profit or Loss and Other Comprehensive Income

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Notes	Six months ended 30 June	
		2026	2025
Interest income calculated using effective interest rate		8,278,860	9,542,319
Interest expense		(4,332,901)	(5,242,166)
Net interest income	4	3,945,959	4,300,153
Fee and commission income	5	868,528	736,216
Fee and commission expense	6	(63,251)	(55,464)
Net fee and commission income		805,277	680,752
Net gains arising from trading activities	8	125,535	199,284
Net gains/(losses) arising from financial investments		211,803	(131,709)
Dividend income	7	150	150
Other operating income	9	31,245	21,214
Change in expected credit losses	10	(644,450)	(555,893)
Other operating expenses	11	(1,036,704)	(929,036)
Profit before tax		3,438,815	3,584,915
Income tax expenses	12	(557,558)	(560,329)
Net profit for the period		2,881,257	3,024,586
Other comprehensive (loss)/income for the period, net of tax			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
<i>Equity investments at fair value through other comprehensive income – net change in fair value</i>		(132)	338
<i>Items that may be reclassified to profit or loss:</i>			
<i>Loans and advances to customers at fair value through other comprehensive income</i>		(65)	–
<i>Debt investments at fair value through other comprehensive income</i>			
<i>Net losses recorded in equity</i>		(244,493)	(138,079)
<i>Net (gains)/losses reclassified from equity to profit or loss</i>		(174,458)	110,173
<i>Net (losses)/gains arising from cash flow hedge</i>		(10,483)	315,471
Other comprehensive (loss)/income for the period, net of tax		(429,631)	287,903
Total comprehensive income for the period		2,451,626	3,312,489

The notes on pages 7 to 46 form a part of these unaudited interim financial statements.

Unaudited Interim Statement of Financial Position

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Notes	As at 30 June 2026	As at 31 December 2025
ASSETS			
Cash and balances with central bank	13	689,190	1,756,650
Due from and placements with banks and other financial institutions	14	48,865,775	48,527,304
Financial assets at fair value through profit or loss	15	5,700,069	5,064,781
Financial assets at amortized cost	18	58,883,401	47,151,171
Financial assets at fair value through other comprehensive income	18	131,130,869	128,404,734
Loans and advances to customers	17	215,179,090	198,663,548
Fixed assets	19	99,823	114,645
Right-of-use assets		304,537	214,070
Other assets	20	9,090,203	8,081,036
Total assets		469,942,957	437,977,939
LIABILITIES			
Due to banks and other financial institutions	21	40,416,079	17,122,903
Due to customers	22	347,539,514	341,418,005
Financial liabilities at fair value through profit or loss	23	1,907,479	1,973,681
Certificates of deposits issued	24	235,264	–
Current tax liabilities		581,040	288,898
Deferred tax liabilities		98,877	217,177
Lease liabilities		308,352	219,007
Debt securities issued	25	7,842,516	7,784,100
Other liabilities	26	5,666,508	6,058,466
Total liabilities		404,595,629	375,082,237
EQUITY			
Share capital	27	44,999,807	44,999,807
Other reserves		1,670,735	2,100,366
Retained earnings		18,676,786	15,795,529
Total equity		65,347,328	62,895,702
Total equity and liabilities		469,942,957	437,977,939

The financial statements were approved and authorized for issuance by the Board of Directors on 17 September 2026 and signed on its behalf by:

Xiao Ting, Director

Cao Yuqing, Director

The notes on pages 7 to 46 form a part of these unaudited interim financial statements.

Unaudited Interim Statement of Changes in Equity

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Share capital	Other reserves		Retained earnings (Note)	Equity attributable to shareholder of the Bank	Additional equity instrument	Total equity
		Cash flow hedge reserve	Others				
At 1 January 2026	44,999,807	44,250	2,056,116	15,795,529	62,895,702	–	62,895,702
Net profit for the period	–	–	–	2,881,257	2,881,257	–	2,881,257
Other comprehensive loss, net of tax	–	(10,483)	(419,148)	–	(429,631)	–	(429,631)
At 30 June 2026	44,999,807	33,767	1,636,968	18,676,786	65,347,328	–	65,347,328
At 1 January 2025	37,900,000	(20,621)	1,556,764	16,812,474	56,248,617	3,871,450	60,120,067
Net profit for the period	–	–	–	3,024,586	3,024,586	–	3,024,586
Other comprehensive income, net of tax	–	315,471	(27,568)	–	287,903	–	287,903
	37,900,000	294,850	1,529,196	19,837,060	59,561,106	3,871,450	63,432,556
Transfer from retained earnings	7,099,807	–	–	(7,099,807)	–	–	–
Redemption of additional equity instrument	–	–	–	(17,235)	(17,235)	(3,871,450)	(3,888,685)
Dividends paid to additional equity instrument holders	–	–	–	(72,427)	(72,427)	–	(72,427)
At 30 June 2025	44,999,807	294,850	1,529,196	12,647,591	59,471,444	–	59,471,444

Note:

In accordance with the requirements of the Hong Kong Monetary Authority (the “HKMA”), the regulatory reserve is set aside for general banking risks, including future losses or other unforeseeable risks. The regulatory reserve is set up in compliance with the HKMA’s requirements and is distributable to shareholder of the Bank subject to consultation with the HKMA. As at 30 June 2026, HK\$981,385,000 (30 June 2025: HK\$938,141,000) was earmarked as the regulatory reserve from the retained earnings.

The notes on pages 7 to 46 form a part of these unaudited interim financial statements.

Unaudited Condensed Interim Statement of Cash Flows

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Note	Six months ended 30 June	
		2026	2025
Net cash inflows from operating activities		20,182,127	3,327,880
Cash flows from investing activities:			
Purchase of financial investments		(40,029,896)	(43,910,113)
Disposal or redemption of financial investments		24,384,931	50,982,894
Dividend received		150	150
Interest received from financial investments		3,838,037	3,984,554
Purchase of fixed assets		(13,458)	(8,941)
Disposal of fixed assets		–	30
Purchase of intangible assets		(2,413)	(4,956)
Net cash (outflows)/inflows from investing activities		(11,822,649)	11,043,618
Cash flows from financing activities:			
Principal elements of lease payments		(93,818)	(82,821)
Interest paid for lease		(2,433)	(2,246)
Interest paid for debt securities issued		(89,501)	(88,804)
Dividend paid to additional equity instrument holders		–	(72,427)
Redemption of additional equity instrument		–	(3,888,685)
Net cash outflows from financing activities		(185,752)	(4,134,983)
Net increase in cash and cash equivalents		8,173,726	10,236,515
Cash and cash equivalents at the beginning of the period		21,282,272	18,265,377
Cash and cash equivalents at the end of the period	29	29,455,998	28,501,892

The notes on pages 7 to 46 form a part of these unaudited interim financial statements.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

1 GENERAL

Bank of Communications (Hong Kong) Limited ("the Bank") is a licensed bank incorporated and domiciled in Hong Kong. The address of its registered office is 20 Pedder Street, Central, Hong Kong and principal place of business is Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Rm01 & 18/F Wheelock House, 20 Pedder Street, Central, Hong Kong. Its ultimate holding company is Bank of Communications Co., Ltd., which is incorporated in the People's Republic of China.

The financial information relating to the year ended 31 December 2025 that is included in this interim financial report as comparative information does not constitute the Bank's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2025 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Bank's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The regulatory disclosure information required under the Banking (Disclosure) Rules is available in the Regulatory Disclosures Section of our website www.hk.bankcomm.com.

2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS

2.1 Basis of preparation and material accounting policies

This unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 2.

The Bank adopts the going concern basis in preparing its unaudited interim financial statements.

This interim financial report does not include all the information disclosed in the annual financial report. Accordingly, this interim financial report should be read in conjunction with the annual financial report for the year ended 31 December 2025.

Certain comparative figures in the notes to the unaudited interim financial statements have been reclassified to conform with current period's presentation.

Except as described below, the Bank's accounting policies applied in preparing these unaudited interim financial statements are consistent with those policies applied in preparing the financial statements for the year ended 31 December 2025.

The Bank commenced holding precious metals as part of its treasury activities in 2026. Management assessed the nature and purpose of these holdings and determined the appropriate accounting treatment having regard to the requirements of HKFRS Accounting Standards and the hierarchy set out in HKAS 8. The accounting policy adopted for precious metal holdings and the related disclosures are set out in Note 20.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

2.1 Basis of preparation and material accounting policies *(continued)*

2.1.1 New and revised HKFRS Accounting Standards effective by 1 January 2026 applied by the Bank

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

The amendments listed above did not have any material impacts on the Bank's financial statements and did not require retrospective adjustments.

2.1.2 Standards and amendments that are not yet effective and have not been adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2026 reporting periods and have not been early adopted by the Bank. The Bank is in the process of assessing the impact of the adoption of these standards.

	Effective for annual period commencing on or after
HKFRS 18	1 January 2027
Presentation and Disclosure in Financial Statements	

2.2 Critical accounting estimates and judgements in applying accounting policies

The preparation of these unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Bank's financial statements for the year ended 31 December 2025, except for those applied in determining forward-looking information incorporated in the calculation of expected credit loss ("ECL") of financial instruments. Details of changes in these significant judgements are further set out under note 3.1.1.2.

3 FINANCIAL RISK MANAGEMENT

3.1 Credit risk

3.1.1 Expected credit loss measurement

3.1.1.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk ("SICR") has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default ("PD"), Exposure at Default ("EAD"), and Loss Given Default ("LGD"), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default. For example, for a revolving credit commitment, EAD includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques *(continued)*

The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier year). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by using forecasted macroeconomic factors to calculate a forecasted 12M PD for the 2nd to 5th year. For the years after the fifth year, it is assumed that the PD will remain the same.

EAD represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses to be incurred. In general, this includes the utilized credit limit, interest receivable as well as the anticipated usage of unused credit facilities.

LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, LGDs are primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

3.1.1.2 Forward-looking information incorporated in the ECL models

Forward-looking information is incorporated in both the assessment of SICR and the calculation of ECL. The Bank has performed historical analysis to identify the key economic variables that impact credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary across different financial instruments. Expert judgement has also been employed in this process. To establish the base economic scenario for the next five years, forecasts of these economic variables are collected from different sources, including economics team of the Bank of Communications Co., Ltd., economics team of the Bank and the International Monetary Fund ("IMF"). After five years, it is assumed that the economic variables will remain stable and the last available forecast is used. A statistical regression analysis has been conducted to ascertain the impact of these economic variables on the PD, EAD and LGD. This analysis aims to understand the historical impact changes in these variables on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's Risk Management Department and economics team have taken into account other economic scenarios. These scenarios and weightings for each of these scenarios are derived from the calculation of historical data. At 30 June 2026 and 31 December 2025, the Bank concluded that three scenarios were used in the calculation process. The scenario weightings are determined based on expert credit judgement, taking account of the range of potential outcomes that each selected scenario represents.

Following this assessment, the Bank then measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying the result by the appropriate scenario weighting (the weighting is applied to the ECL outputs, rather than the inputs).

Similar to all economic forecasts, the projections and probabilities associated with the economic scenarios rely on the estimations of future economic conditions. These estimations are sensitive to changes resulting from macro events such as the tariff war and the geopolitical developments. They are, therefore, inherently subject to a high degree of uncertainty and as a result, the actual outcomes may deviate significantly from the projected ones. The Bank regards these forecasts as its best estimation of potential outcomes. Analysis has been conducted to assess the variations across the Bank's diverse portfolios to make sure the selected scenarios adequately encompass the range of possible scenarios. The proposed macroeconomic forecasts and probability weightings are subject to review by the management.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.2 Forward-looking information incorporated in the ECL models *(continued)*

Economic variable assumptions

As governments worldwide have taken various measures, economic activities in most economies have gradually picked up in the past few years. However, the pace of recovery slowed down in 2025. It is expected that the pace of recovery would be further slower in 2026 as a result of factors such as the conflict in Middle East countries.

The above developments pertaining to the uncertainties in the geopolitical environment in the first half of 2026 have added complexities to the estimation of economic scenarios. As a result, the Bank has found it necessary to reassess its economic scenarios and probability weightings when calculating ECL.

The Bank continued to adopt three economic scenarios across all portfolios. These scenarios encompass the “Base” scenario, which is considered the most likely, as well as two additional scenarios with a lower probability of occurrence known as the “Scenario 2” and “Scenario 3”.

The “Base” scenario can be described as follows: following a moderate rebound of the global economy in 2025, the pace of economy recovery is expected to be slower in 2026, partly due to the lingering effects of the geopolitical risks. In addition, while GDP in most regions showed moderate growth in 2025, the extent of recovery is highly uneven within the global economy as China’s GDP expanded moderately while a mild recovery is observed in Hong Kong. Furthermore, the unemployment rate is anticipated to remain roughly unchanged in 2026 across most regions.

In addition to the scenarios mentioned above, other forward-looking factors, including the impact of any regulatory, legislative or political changes, have been taken into account as well. However, these factors are not deemed to have a material impact and therefore no adjustment has been made to the ECL to account for them. This assessment is reviewed and monitored on a regular basis as to whether it is appropriate.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.2 Forward-looking information incorporated in the ECL models *(continued)*

Sensitivity analysis

The following table presents the base ECL scenario compared to the probability-weighted ECL derived from using three ECL scenarios. The difference reflects the impact of deriving multiple scenarios around the base ECL and resultant change in ECL due to non-linearity and sensitivity to using macroeconomic forecasts.

	As at 30 June 2026	As at 31 December 2025
Change from Base to Probability-weighted ECL		
Probability-weighted ECL	2,972,867	2,335,636
Base ECL	2,977,486	2,346,542
Difference in amount	(4,619)	(10,906)
Difference in percentage	(0.2%)	(0.5%)

Management judgemental adjustment

In light of the ongoing escalation of conflicts in the Middle East countries, there is heightened uncertainty regarding further deterioration of the situation. In accordance with the related arrangements to address this risk factor, management judgemental adjustment has been applied by the Bank to the expected credit losses as of 30 June 2026. This adjustment pertains to financial assets whose country risk designation has been transferred to the Middle East region.

Regarding HKFRS 9, management judgemental adjustment refers to the short-term increase or decrease adjustment in ECL to take into account for late-breaking events, model and data limitations, and expert judgement applied after management's review and challenge.

Management judgemental adjustments made in estimating the reported ECL at 30 June 2026 are set out in the following table. The table includes adjustments in relation to data and model limitations resulting from the conflict in Middle East countries. It shows the adjustments applicable to the probability-weighted ECL.

	As at 30 June 2026	As at 31 December 2025
Middle East countries adjustments	44,116	–
Probability-weighted ECL	2,972,867	2,335,636
Percentage of adjustments	1.5%	–

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.2 Credit risk exposure – Collateral

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. The fair value is capped at lower of gross carrying amount and fair value. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross carrying amount	ECL allowance	Carrying amount	Fair value of collateral held
As at 30 June 2026				
Loans to individuals	286,875	(149,325)	137,550	168,870
Loans to corporate entities	3,391,628	(1,242,146)	2,149,482	1,195,256
	3,678,503	(1,391,471)	2,287,032	1,364,126
	Gross carrying amount	ECL allowance	Carrying amount	Fair value of collateral held
As at 31 December 2025				
Loans to individuals	374,400	(127,713)	246,687	276,516
Loans to corporate entities	2,874,171	(791,764)	2,082,407	825,383
	3,248,571	(919,477)	2,329,094	1,101,899

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Corporate Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2026	74,394,135	53,859,070	2,874,171	131,127,376
Transfers:				
Transfer from Stage 1 to Stage 2	(1,815,559)	1,815,559	–	–
Transfer from Stage 1 to Stage 3	(4,388)	–	4,388	–
Transfer from Stage 2 to Stage 1	4,627	(4,627)	–	–
Transfer from Stage 2 to Stage 3	–	(746,295)	746,295	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	20,948,240	(6,697,698)	(230,702)	14,019,840
Write-offs	–	–	(2,999)	(2,999)
Foreign exchange and other movements	576,787	252,841	475	830,103
Gross carrying amount as at 30 June 2026	94,103,842	48,478,850	3,391,628	145,974,320

Note: Includes the new financial assets originated or purchased during the period, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 30 June 2026.

Corporate Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	81,659,441	46,938,741	6,326,264	134,924,446
Transfers:				
Transfer from Stage 1 to Stage 2	(10,242,977)	10,242,977	–	–
Transfer from Stage 1 to Stage 3	(286,389)	–	286,389	–
Transfer from Stage 2 to Stage 1	327,867	(327,867)	–	–
Transfer from Stage 2 to Stage 3	–	(693,186)	693,186	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	2,784,222	(2,401,340)	(4,109,337)	(3,726,455)
Write-offs	–	–	(323,042)	(323,042)
Foreign exchange and other movements	151,971	99,745	711	252,427
Gross carrying amount as at 31 December 2025	74,394,135	53,859,070	2,874,171	131,127,376

Note: Includes the new financial assets originated or purchased during the year, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 31 December 2025.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of ECL allowance – Loans and advances to customers at amortized cost

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Corporate Loan				
ECL allowance amount as at 1 January 2026	139,861	579,692	791,764	1,511,317
Transfers:				
Transfer from Stage 1 to Stage 2	(8,393)	8,393	–	–
Transfer from Stage 1 to Stage 3	(56)	–	56	–
Transfer from Stage 2 to Stage 1	11	(11)	–	–
Transfer from Stage 2 to Stage 3	–	(22,072)	22,072	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	28,445	46,262	430,098	504,805
Recoveries of loans and advances written-off in previous periods	–	–	–	–
Write-offs	–	–	(2,999)	(2,999)
Foreign exchange and other movements	1,184	1,928	1,155	4,267
ECL allowance amount as at 30 June 2026	161,052	614,192	1,242,146	2,017,390

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Corporate Loan				
ECL allowance amount as at 1 January 2025	149,237	545,870	4,362,060	5,057,167
Transfers:				
Transfer from Stage 1 to Stage 2	(20,037)	20,037	–	–
Transfer from Stage 1 to Stage 3	(1,960)	–	1,960	–
Transfer from Stage 2 to Stage 1	21,136	(21,136)	–	–
Transfer from Stage 2 to Stage 3	–	(28,478)	28,478	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(8,663)	62,140	(3,327,801)	(3,274,324)
Recoveries of loans and advances written-off in previous years	–	–	49,904	49,904
Write-offs	–	–	(323,042)	(323,042)
Foreign exchange and other movements	148	1,259	205	1,612
ECL allowance amount as at 31 December 2025	139,861	579,692	791,764	1,511,317

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Retail Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2026	65,932,243	3,089,262	374,400	69,395,905
Transfers:				
Transfer from Stage 1 to Stage 2	(244,143)	244,143	–	–
Transfer from Stage 1 to Stage 3	(7,844)	–	7,844	–
Transfer from Stage 2 to Stage 1	28,734	(28,734)	–	–
Transfer from Stage 2 to Stage 3	–	(69,743)	69,743	–
Transfer from Stage 3 to Stage 1	297	–	(297)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	2,536,445	(126,945)	(162,893)	2,246,607
Write-offs	–	–	(1,930)	(1,930)
Foreign exchange and other movements	1,108	2	8	1,118
Gross carrying amount as at 30 June 2026	68,246,840	3,107,985	286,875	71,641,700

Note: Includes the new financial assets originated or purchased during the period, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 30 June 2026.

Retail Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	59,361,725	3,488,343	253,917	63,103,985
Transfers:				
Transfer from Stage 1 to Stage 2	(112,301)	112,301	–	–
Transfer from Stage 1 to Stage 3	(57,826)	–	57,826	–
Transfer from Stage 2 to Stage 1	85,570	(85,570)	–	–
Transfer from Stage 2 to Stage 3	–	(186,293)	186,293	–
Transfer from Stage 3 to Stage 1	1,413	–	(1,413)	–
Transfer from Stage 3 to Stage 2	–	137	(137)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	6,652,896	(239,662)	(116,857)	6,296,377
Write-offs	–	–	(5,231)	(5,231)
Foreign exchange and other movements	766	6	2	774
Gross carrying amount as at 31 December 2025	65,932,243	3,089,262	374,400	69,395,905

Note: Includes the new financial assets originated or purchased during the year, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 31 December 2025.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of ECL allowance – Loans and advances to customers at amortized cost

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Retail Loan				
ECL allowance amount as at 1 January 2026	99,556	152,767	127,713	380,036
Transfers:				
Transfer from Stage 1 to Stage 2	(420)	420	–	–
Transfer from Stage 1 to Stage 3	(22)	–	22	–
Transfer from Stage 2 to Stage 1	2,274	(2,274)	–	–
Transfer from Stage 2 to Stage 3	–	(6,907)	6,907	–
Transfer from Stage 3 to Stage 1	84	–	(84)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	6,806	17,928	16,456	41,190
Recoveries of loans and advances written-off in previous periods	–	–	240	240
Write-offs	–	–	(1,930)	(1,930)
Foreign exchange and other movements	3	–	1	4
ECL allowance amount as at 30 June 2026	108,281	161,934	149,325	419,540

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Retail Loan				
ECL allowance amount as at 1 January 2025	34,731	121,945	59,840	216,516
Transfers:				
Transfer from Stage 1 to Stage 2	(88)	88	–	–
Transfer from Stage 1 to Stage 3	(46)	–	46	–
Transfer from Stage 2 to Stage 1	16,433	(16,433)	–	–
Transfer from Stage 2 to Stage 3	–	(6,625)	6,625	–
Transfer from Stage 3 to Stage 1	136	–	(136)	–
Transfer from Stage 3 to Stage 2	–	27	(27)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	48,387	53,765	66,325	168,477
Recoveries of loans and advances written-off in previous years	–	–	271	271
Write-offs	–	–	(5,231)	(5,231)
Foreign exchange and other movements	3	–	–	3
ECL allowance amount as at 31 December 2025	99,556	152,767	127,713	380,036

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2026	140,326,378	56,948,332	3,248,571	200,523,281
Transfers:				
Transfer from Stage 1 to Stage 2	(2,059,702)	2,059,702	–	–
Transfer from Stage 1 to Stage 3	(12,232)	–	12,232	–
Transfer from Stage 2 to Stage 1	33,361	(33,361)	–	–
Transfer from Stage 2 to Stage 3	–	(816,038)	816,038	–
Transfer from Stage 3 to Stage 1	297	–	(297)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	23,484,685	(6,824,643)	(393,595)	16,266,447
Write-offs	–	–	(4,929)	(4,929)
Foreign exchange and other movements	577,895	252,843	483	831,221
Gross carrying amount as at 30 June 2026	162,350,682	51,586,835	3,678,503	217,616,020

Note: Includes the new financial assets originated or purchased during the period, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 30 June 2026.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	141,021,166	50,427,084	6,580,181	198,028,431
Transfers:				
Transfer from Stage 1 to Stage 2	(10,355,278)	10,355,278	–	–
Transfer from Stage 1 to Stage 3	(344,215)	–	344,215	–
Transfer from Stage 2 to Stage 1	413,437	(413,437)	–	–
Transfer from Stage 2 to Stage 3	–	(879,479)	879,479	–
Transfer from Stage 3 to Stage 1	1,413	–	(1,413)	–
Transfer from Stage 3 to Stage 2	–	137	(137)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	9,437,118	(2,641,002)	(4,226,194)	2,569,922
Write-offs	–	–	(328,273)	(328,273)
Foreign exchange and other movements	152,737	99,751	713	253,201
Gross carrying amount as at 31 December 2025	140,326,378	56,948,332	3,248,571	200,523,281

Note: Includes the new financial assets originated or purchased during the year, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 31 December 2025.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of ECL allowance – Loans and advances to customers at amortized cost

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Loans and advances to customers				
ECL allowance amount as at 1 January 2026	239,417	732,459	919,477	1,891,353
Transfers:				
Transfer from Stage 1 to Stage 2	(8,813)	8,813	–	–
Transfer from Stage 1 to Stage 3	(78)	–	78	–
Transfer from Stage 2 to Stage 1	2,285	(2,285)	–	–
Transfer from Stage 2 to Stage 3	–	(28,979)	28,979	–
Transfer from Stage 3 to Stage 1	84	–	(84)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	35,251	64,190	446,554	545,995
Recoveries of loans and advances written-off in previous periods	–	–	240	240
Write-offs	–	–	(4,929)	(4,929)
Foreign exchange and other movements	1,187	1,928	1,156	4,271
ECL allowance amount as at 30 June 2026	269,333	776,126	1,391,471	2,436,930

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Loans and advances to customers				
ECL allowance amount as at 1 January 2025	183,968	667,815	4,421,900	5,273,683
Transfers:				
Transfer from Stage 1 to Stage 2	(20,125)	20,125	–	–
Transfer from Stage 1 to Stage 3	(2,006)	–	2,006	–
Transfer from Stage 2 to Stage 1	37,569	(37,569)	–	–
Transfer from Stage 2 to Stage 3	–	(35,103)	35,103	–
Transfer from Stage 3 to Stage 1	136	–	(136)	–
Transfer from Stage 3 to Stage 2	–	27	(27)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	39,724	115,905	(3,261,476)	(3,105,847)
Recoveries of loans and advances written-off in previous years	–	–	50,175	50,175
Write-offs	–	–	(328,273)	(328,273)
Foreign exchange and other movements	151	1,259	205	1,615
ECL allowance amount as at 31 December 2025	239,417	732,459	919,477	1,891,353

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of carrying amount – Loans and advances to customers at fair value through other comprehensive income

Loans and advances to customers at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2026	33,208	–	–	33,208
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(33,208)	–	–	(33,208)
Carrying amount as at 30 June 2026	–	–	–	–

Loans and advances to customers at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2025	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	33,208	–	–	33,208
Carrying amount as at 31 December 2025	33,208	–	–	33,208

Movement of ECL allowance – Loans and advances to customers at fair value through other comprehensive income

Loans and advances to customers at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2026	103	–	–	103
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(103)	–	–	(103)
ECL allowance amount as at 30 June 2026	–	–	–	–

Loans and advances to customers at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	103	–	–	103
ECL allowance amount as at 31 December 2025	103	–	–	103

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Due from and placements with banks and other financial institutions

Due from and placements with banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2026	48,561,632	–	–	48,561,632
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	179,183	–	–	179,183
Foreign exchange and other movements	152,993	–	–	152,993
Gross carrying amount as at 30 June 2026	48,893,808	–	–	48,893,808

Due from and placements with banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	33,049,746	–	–	33,049,746
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	15,472,592	–	–	15,472,592
Foreign exchange and other movements	39,294	–	–	39,294
Gross carrying amount as at 31 December 2025	48,561,632	–	–	48,561,632

Movement of ECL allowance – Due from and placements with banks and other financial institutions

Due from and placements with banks and other financial institutions	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2026	34,328	–	–	34,328
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(6,353)	–	–	(6,353)
Foreign exchange and other movements	58	–	–	58
ECL allowance amount as at 30 June 2026	28,033	–	–	28,033

Due from and placements with banks and other financial institutions	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	28,165	–	–	28,165
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	6,127	–	–	6,127
Foreign exchange and other movements	36	–	–	36
ECL allowance amount as at 31 December 2025	34,328	–	–	34,328

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of carrying amount – Debt securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2026	125,404,413	2,989,740	–	128,394,153
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	1,769,872	(222,906)	–	1,546,966
Foreign exchange and other movements	1,160,448	18,853	–	1,179,301
Carrying amount as at 30 June 2026	128,334,733	2,785,687	–	131,120,420

Debt securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2025	139,942,502	1,690,053	–	141,632,555
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(16,302,310)	1,290,631	–	(15,011,679)
Foreign exchange and other movements	1,764,221	9,056	–	1,773,277
Carrying amount as at 31 December 2025	125,404,413	2,989,740	–	128,394,153

Movement of ECL allowance – Debt securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2026	217,161	13,491	–	230,652
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	38,129	7,090	–	45,219
Foreign exchange and other movements	1,411	67	–	1,478
ECL allowance amount as at 30 June 2026	256,701	20,648	–	277,349

Debt securities at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	245,585	9,414	–	254,999
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(30,629)	4,034	–	(26,595)
Foreign exchange and other movements	2,205	43	–	2,248
ECL allowance amount as at 31 December 2025	217,161	13,491	–	230,652

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(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Debt securities at amortized cost

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2026	46,955,720	550,220	–	47,505,940
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	11,406,136	128,124	–	11,534,260
Foreign exchange and other movements	505,358	4,266	–	509,624
Gross carrying amount as at 30 June 2026	58,867,214	682,610	–	59,549,824

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	47,915,958	33,728	–	47,949,686
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(1,563,802)	515,118	–	(1,048,684)
Foreign exchange and other movements	603,564	1,374	–	604,938
Gross carrying amount as at 31 December 2025	46,955,720	550,220	–	47,505,940

Movement of ECL allowance – Debt securities at amortized cost

Debt securities at amortized cost	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2026	49,693	4,195	–	53,888
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	26,200	2,637	–	28,837
Foreign exchange and other movements	383	34	–	417
ECL allowance amount as at 30 June 2026	76,276	6,866	–	83,142

Debt securities at amortized cost	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	45,760	333	–	46,093
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	3,589	3,859	–	7,448
Foreign exchange and other movements	344	3	–	347
ECL allowance amount as at 31 December 2025	49,693	4,195	–	53,888

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Bank are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed periodically.

Fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

The Bank uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Bank mainly includes derivatives, debt securities without quotations from active market, loans and advances to customers and debt securities issued. The fair value of bonds is mainly determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards and swaps, interest rate swaps, foreign currency options is estimated by the discounted cash flow method and Black-Scholes model. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates and counterparty's credit spread, etc. Main parameters used in Black-Scholes model include the relevant yield curve, exchange rates, level of volatilities and counterparty's credit spread, etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For the unlisted equity held by the Bank, the fair value is determined with reference to unobservable input including the latest available investee's net assets value. Therefore, the instrument has been classified by the Bank as level 3.

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(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(b) Financial assets and financial liabilities measured at fair value on a recurring basis

The tables below summarize the information relating to the fair value hierarchy of the financial assets and financial liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at 30 June 2026				
Financial assets at fair value through profit or loss				
Debt securities				
– Corporate entities	28,247	63,144	–	91,391
Equity securities				
– Corporate entities	17,367	–	–	17,367
Derivative financial instruments				
– Foreign exchange contracts	–	914,710	–	914,710
– Interest rate contracts and others	–	4,676,601	–	4,676,601
	45,614	5,654,455	–	5,700,069
Financial assets at fair value through other comprehensive income				
Debt securities				
– Governments and central banks	7,620	27,241,807	–	27,249,427
– Banks and other financial institutions	107,475	47,897,368	–	48,004,843
– Corporate entities	682	55,865,468	–	55,866,150
Equity securities				
– Banks and other financial institutions	–	–	10,449	10,449
Loans and advances to customers	–	–	–	–
	115,777	131,004,643	10,449	131,130,869
Total financial assets measured at fair value	161,391	136,659,098	10,449	136,830,938
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
– Foreign exchange contracts	–	846,109	–	846,109
– Interest rate contracts and others	–	1,061,370	–	1,061,370
Total financial liabilities measured at fair value	–	1,907,479	–	1,907,479

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(b) Financial assets and financial liabilities measured at fair value on a recurring basis (continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2025				
Financial assets at fair value through profit or loss				
Debt securities				
– Corporate entities	44,107	292,852	–	336,959
Equity securities				
– Corporate entities	45,441	–	–	45,441
Derivative financial instruments				
– Foreign exchange contracts	–	390,774	–	390,774
– Interest rate contracts and others	–	4,291,607	–	4,291,607
	89,548	4,975,233	–	5,064,781
Financial assets at fair value through other comprehensive income				
Debt securities				
– Governments and central banks	8,612	27,462,927	–	27,471,539
– Banks and other financial institutions	–	45,079,112	–	45,079,112
– Corporate entities	–	55,843,502	–	55,843,502
Equity securities				
– Banks and other financial institutions	–	–	10,581	10,581
Loans and advances to customers	–	33,208	–	33,208
	8,612	128,418,749	10,581	128,437,942
Total financial assets measured at fair value	98,160	133,393,982	10,581	133,502,723
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
– Foreign exchange contracts	–	640,730	–	640,730
– Interest rate contracts and others	–	1,332,951	–	1,332,951
Total financial liabilities measured at fair value	–	1,973,681	–	1,973,681

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(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(c) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values where there are obvious variances from the carrying amounts, of those financial assets and liabilities that are not presented on the statement of financial position at their fair value:

	As at 30 June 2026		As at 31 December 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost	58,883,401	59,277,465	47,151,171	47,771,319
Financial liabilities				
Certificates of deposits issued	235,264	235,178	–	–
Debt securities issued	7,842,516	7,842,516	7,784,100	7,712,266

Fair value hierarchy of financial instruments not measured at fair value:

	Level 1	Level 2	Level 3	Total
As at 30 June 2026				
Financial assets				
Financial assets at amortized cost	1,061,859	58,215,606	–	59,277,465
Financial liabilities				
Certificates of deposits issued	–	235,178	–	235,178
Debt securities issued	–	7,842,516	–	7,842,516
	Level 1	Level 2	Level 3	Total
As at 31 December 2025				
Financial assets				
Financial assets at amortized cost	416,009	47,355,310	–	47,771,319
Financial liabilities				
Certificates of deposits issued	–	–	–	–
Debt securities issued	–	7,712,266	–	7,712,266

Other financial instruments not carried at fair value are typically short-term in nature or repriced to current market rates frequently. Accordingly, their carrying amounts are reasonable approximations of their fair values.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Bank are subject to enforceable master netting arrangements or similar agreements. The agreement between the Bank and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Bank are not offset in accordance with HKFRS.

The following tables present the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2026 and 31 December 2025. The column “net amount” shows the impact on the Bank’s statement of financial position if all set-off rights were exercised.

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
As at 30 June 2026						
Financial assets						
Derivative financial instruments	5,591,311	–	5,591,311	(1,433,564)	(435,225)	3,722,522
Investment securities	25,007,636	–	25,007,636	(24,576,068)	–	431,568
Total	30,598,947	–	30,598,947	(26,009,632)	(435,225)	4,154,090
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral advanced	Net amount
Financial liabilities						
Derivative financial instruments	1,907,479	–	1,907,479	(1,590,414)	(1,948,486)	(1,631,421)
Due to banks and other financial institutions	24,576,068	–	24,576,068	(24,576,068)	–	–
Total	26,483,547	–	26,483,547	(26,166,482)	(1,948,486)	(1,631,421)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Offsetting financial assets and financial liabilities *(continued)*

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
As at 31 December 2025						
Financial assets						
Derivative financial instruments	4,682,381	–	4,682,381	(1,205,140)	(7,029)	3,470,212
Investment securities	4,473,217	–	4,473,217	(4,379,432)	–	93,785
Total	9,155,598	–	9,155,598	(5,584,572)	(7,029)	3,563,997
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral advanced	Net amount
Financial liabilities						
Derivative financial instruments	1,973,681	–	1,973,681	(1,556,981)	(2,642,491)	(2,225,791)
Due to banks and other financial institutions	4,379,432	–	4,379,432	(4,379,432)	–	–
Total	6,353,113	–	6,353,113	(5,936,413)	(2,642,491)	(2,225,791)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

4 NET INTEREST INCOME

	Six months ended 30 June	
	2026	2025
Interest income		
Due from and placements with banks and other financial institutions	567,195	579,517
Loans and advances to customers	3,326,124	3,943,243
Financial assets at amortized cost	1,169,427	1,075,981
Financial assets at fair value through other comprehensive income	3,216,114	3,943,578
	8,278,860	9,542,319
Interest expense		
Due to banks and other financial institutions	(460,093)	(490,726)
Due to customers	(3,782,477)	(4,660,669)
Debt securities and certificates of deposit issued at amortized cost	(90,331)	(90,771)
	(4,332,901)	(5,242,166)
Net interest income	3,945,959	4,300,153

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2026	2025
Settlement service	21,958	25,389
Interchange service	12,839	12,790
Credit facilities, guarantee and commitment	12,228	13,678
Agency service	790,961	653,674
Depositary service	26,726	26,738
Others	3,816	3,947
	868,528	736,216

6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2026	2025
Settlement and brokerage service	53,552	45,816
Interchange service	5,657	5,830
Others	4,042	3,818
	63,251	55,464

7 DIVIDEND INCOME

	Six months ended 30 June	
	2026	2025
Financial assets at fair value through other comprehensive income – unlisted investment	150	150

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

8 NET GAINS ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2026	2025
Foreign exchange	50,524	20,486
Interest rate instruments and others	90,919	112,967
Debt securities at fair value through profit or loss	(19,447)	26,005
Interest rate instruments and items under fair value hedge (note 16)	36,176	37,666
Equity securities at fair value through profit or loss	(28,073)	–
Others	(4,564)	2,160
	125,535	199,284

Net gains on foreign exchange include gains or losses from the trading of spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into HK\$.

Net gains on interest rate instruments and others include trading gains and losses and fair value changes of interest rate swaps, interest rate options and other derivatives.

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2026	2025
Net gains from early termination of lease	31	10
Management fee received from a branch of the ultimate holding company	5,957	6,047
Others	25,257	15,157
	31,245	21,214

10 CHANGE IN EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2026	2025
Loans and advances to customers	550,163	418,528
Financial investments at amortized cost	29,254	4,051
Debt investments at fair value through other comprehensive income	46,697	(20,811)
Cash and balances with central bank	(651)	2,906
Other receivables	22,260	147,349
Due from and placements with banks and other financial institutions	(6,295)	4,181
Financial guarantees and credit related commitments	3,022	(311)
	644,450	555,893

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2026	2025
Staff costs		
– Salaries and other allowances	336,532	296,337
– Retirement benefit costs	23,954	26,705
Loss on disposal of fixed assets	25	13
General operational and administrative expenses	120,619	110,001
Depreciation and amortization	42,419	46,260
Depreciation of right-of-use assets	92,727	81,876
Auditor's remuneration	2,399	2,199
Buildings administration fee	5,980	6,096
Rental expenses	9,952	22,981
Repairs and maintenance	23,283	18,283
Printing, postage and telegram	17,632	17,189
Directors', senior management's and key personnel's emoluments	11,204	12,426
Management fee paid to a branch of the ultimate holding company	330,142	270,854
Interest expense on lease liabilities	2,433	2,246
Others	17,403	15,570
	1,036,704	929,036

12 INCOME TAX EXPENSES

	Six months ended 30 June	
	2026	2025
Current tax		
– Hong Kong profits tax	590,075	586,776
Deferred tax	(32,517)	(26,447)
Income tax expenses	557,558	560,329

The provision for Hong Kong profits tax is calculated at 16.5% (2025: 16.5%) of the estimated assessable profits for the periods ended 30 June 2026 and 30 June 2025.

The Bank, as part of the Bank of Communications Co., Ltd., is subject to the Global Minimum Tax ("Pillar Two") model rules promulgated by the Organisation for Economic Co-operation and Development. From 1 January 2025, the Bank is liable to Pillar Two income taxes under the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earning in Hong Kong. The Bank has assessed that the implementation of Pillar Two legislation has no material impact on the financial statements for the period ended 30 June 2026.

The Bank has applied the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

13 CASH AND BALANCES WITH CENTRAL BANK

	As at 30 June 2026	As at 31 December 2025
Cash	360,022	378,905
Balances with central bank	329,351	1,378,579
Less: ECL allowance	(183)	(834)
	689,190	1,756,650

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

14 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2026	As at 31 December 2025
Due from banks and other financial institutions	6,264,349	3,711,684
Placements with and loans to banks	42,629,459	44,849,948
Less: ECL allowance	(28,033)	(34,328)
	48,865,775	48,527,304

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2026	As at 31 December 2025
Derivative financial instruments (note 16)	5,591,311	4,682,381
Debt securities at fair value through profit or loss		
– Listed	91,391	121,639
– Unlisted	–	215,320
Equity securities at fair value through profit or loss		
– Listed	17,367	45,441
	5,700,069	5,064,781

Debt and equity securities at fair value through profit or loss are analyzed by issuer as follows:

	As at 30 June 2026	As at 31 December 2025
Debt securities at fair value through profit or loss		
– Corporate entities	91,391	336,959
Equity securities at fair value through profit or loss		
– Corporate entities	17,367	45,441
	108,758	382,400

16 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilized by the Bank for trading or hedging purposes:

Currency forwards are contracts between two parties to buy or sell certain currencies at a specified future date at a predetermined price. The party agreeing to buy the underlying currency in the future assumes a long position, and the party agreeing to sell the currency in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market.

Currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option), on or before a set date or during a set period, a specific amount of the financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for assuming foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Bank and a customer (over-the-counter market).

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The notional amounts of certain types of financial instruments provide a reference of the amounts recognized in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

	For hedging			For trading			Total		
	Contractual/ notional amount	Fair values		Contractual/ notional amount	Fair values		Contractual/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
As at 30 June 2026									
Foreign exchange contracts	69,633,925	–	(502,685)	152,995,606	914,710	(343,424)	222,629,531	914,710	(846,109)
Interest rate contracts and others	116,891,143	3,734,407	(206,559)	41,793,623	942,194	(854,811)	158,684,766	4,676,601	(1,061,370)
Total amount of derivative instruments recognized	186,525,068	3,734,407	(709,244)	194,789,229	1,856,904	(1,198,235)	381,314,297	5,591,311	(1,907,479)
As at 31 December 2025									
Foreign exchange contracts	39,995,431	1,266	(92,622)	158,070,574	389,508	(548,108)	198,066,005	390,774	(640,730)
Interest rate contracts and others	119,375,500	3,577,221	(660,754)	57,471,489	714,386	(672,197)	176,846,989	4,291,607	(1,332,951)
Total amount of derivative instruments recognized	159,370,931	3,578,487	(753,376)	215,542,063	1,103,894	(1,220,305)	374,912,994	4,682,381	(1,973,681)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Bank's derivative financial instruments outstanding at period end. These instruments, comprising foreign exchange and interest rate derivatives, allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Bank undertakes its transactions in foreign exchange and interest rates contracts with other financial institutions and customers. Management has established limits for these contracts based on counterparty types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	As at 30 June 2026	As at 31 December 2025
Renminbi	18,467,580	19,709,284
United States Dollar	227,288,679	218,038,721
Hong Kong Dollar	104,319,724	110,929,312
Others	31,238,314	26,235,677
Total	381,314,297	374,912,994

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

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16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting

(i) Fair value hedge

The Bank applies hedge accounting on hedging its interest rate risk on certain bond investments and loans, as follows:

The Bank holds a portfolio of long-term fixed rate debt securities and loans and therefore is exposed to changes in fair value due to movements in market rates. The Bank manages this risk exposure by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The interest rate risk component is determined as the change in fair value of the long-term fixed rate debt securities arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the debt securities attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Bank establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Following reasons could cause ineffectiveness:

(1) The effect of the counterparty and the Bank's own credit risk on the fair value of the interest rate swaps, which is not reflected in the fair value of the hedged item attributable to the change in interest rate;

(2) Differences in maturities of the interest rate swaps and the debt securities.

(a) The following tables contain details of the hedging instruments used in the Bank's hedging strategies:

As at 30 June 2026	Carrying amount			Line item on statement of financial position	Fair value changes of the hedging instruments
	Notional	Assets	Liabilities		
Fair value hedge					
Interest rate					
Interest rate contract	116,891,143	3,734,407	(206,559)	Financial assets/liabilities at fair value through profit or loss	853,843

As at 31 December 2025	Carrying amount			Line item on statement of financial position	Fair value changes of the hedging instruments
	Notional	Assets	Liabilities		
Fair value hedge					
Interest rate					
Interest rate contract	119,375,500	3,577,221	(660,754)	Financial assets/liabilities at fair value through profit or loss	(3,787,947)

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting *(continued)*

(i) Fair value hedge (continued)

(b) The following tables contain details of the hedged exposures covered by the Bank's hedging strategies:

As at 30 June 2026	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Line item on statement of financial position	Fair value changes of the hedged items	Ineffectiveness recognized in profit or loss
Fair value hedge					
Interest rate					
Debt investments	89,177,547	(1,618,637)	Financial asset at fair value through other comprehensive income	(539,567)	33,223
Debt investments	24,449,571	(583,281)	Financial asset at amortized cost	(279,688)	4,168
Loans and advances to customers	–	–	Loans and advances to customers	1,588	(1,215)

As at 31 December 2025	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Line item on statement of financial position	Fair value changes of the hedged items	Ineffectiveness recognized in profit or loss
Fair value hedge					
Interest rate					
Debt investments	91,982,871	(1,903,925)	Financial asset at fair value through other comprehensive income	3,154,122	42,877
Debt investments	22,985,827	(300,881)	Financial asset at amortized cost	645,030	(3,362)
Loans and advances to customers	1,556,905	(1,588)	Loans and advances to customers	29,410	1,100

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting *(continued)*

(i) Fair value hedge (continued)

(c) The following tables contain information regarding the effectiveness of the hedging relationships designated by the Bank, as well as the impacts on profit or loss and other comprehensive income:

For the six months ended 30 June 2026	Gains/(losses) recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Profit or loss line item that includes hedge ineffectiveness
Fair value hedge			
Interest rate	–	36,176	Net gains arising from trading activities
For the six months ended 30 June 2025	Gains/(losses) recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Profit or loss line item that includes hedge ineffectiveness
Fair value hedge			
Interest rate	–	37,666	Net gains arising from trading activities

(ii) Cash flow hedge

The Bank uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks. The hedged items include debt investments at FVOCI, debt investments at amortized cost, money market placements and takings. The Bank mainly reviews critical terms of hedged item and hedging instrument to evaluate the effectiveness of hedging. With the supporting of testing results, the Bank's management considers the hedging relationship to be highly effective.

Movements in the hedging reserve are shown in the statement of changes in equity.

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For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Loans and advances to customers

	As at 30 June 2026	As at 31 December 2025
Loans and advances to customers at amortized cost		
Loans and advances to customers	217,616,020	200,521,693
Less: ECL allowance	(2,436,930)	(1,891,353)
	215,179,090	198,630,340
Loans and advances to customers at fair value through other comprehensive income		
Loans and advances to customers	–	33,208
	215,179,090	198,663,548

17.2 Analysis of loans and advances to customers by staging

As at 30 June 2026	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
– Carried at amortized cost	162,350,682	51,586,835	3,678,503	217,616,020
– Carried at fair value through other comprehensive income	–	–	–	–
Less: ECL allowance	(269,333)	(776,126)	(1,391,471)	(2,436,930)
Net loans and advances to customers	162,081,349	50,810,709	2,287,032	215,179,090
As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
– Carried at amortized cost (Note)	140,324,790	56,948,332	3,248,571	200,521,693
– Carried at fair value through other comprehensive income	33,208	–	–	33,208
Less: ECL allowance	(239,417)	(732,459)	(919,477)	(1,891,353)
Net loans and advances to customers	140,118,581	56,215,873	2,329,094	198,663,548

Note: Included in the Stage 1 balance is a fair value loss of hedging adjustment of HK\$1,588,000 which is not subject to ECL allowance (note 16(i)(b)).

17.3 Credit quality of loans and advances to customers

Loans and advances to customers analyzed by security type

	As at 30 June 2026	As at 31 December 2025
Unsecured loans	76,562,316	62,818,768
Guaranteed loans	41,146,680	39,790,965
Loans secured by collateral	99,907,024	97,945,168
Gross amount of loans and advances to customers before ECL allowance	217,616,020	200,554,901

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

18 FINANCIAL INVESTMENTS

	As at 30 June 2026	As at 31 December 2025
Financial assets at amortized cost		
Debt securities at amortized cost (Note)		
– Listed	19,835,824	17,769,897
– Unlisted	39,130,719	29,435,162
Less: ECL allowance	(83,142)	(53,888)
	58,883,401	47,151,171
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income		
– Listed	71,929,257	73,918,437
– Unlisted	59,191,163	54,475,716
Equity securities at fair value through other comprehensive income		
– Unlisted	10,449	10,581
	131,130,869	128,404,734
	190,014,270	175,555,905

Note: Included in the debt securities at amortized cost is a fair value loss of hedging adjustment of HK\$583,281,000 (2025: HK\$300,881,000) which is not subject to ECL allowance (note 16(i)(b)).

The Bank has designated the investment in equity instrument at fair value through other comprehensive income. The Bank chose this presentation alternative because the investment was made as a prerequisite for the provision of the Bank's certain normal banking business rather than with a view to profit on a subsequent sale, and there is no plan to dispose this investment in short or medium term.

Financial investments analyzed by issuer are as follows:

	As at 30 June 2026	As at 31 December 2025
Financial assets at amortized cost		
Debt securities at amortized cost		
– Governments and central banks	27,298,635	19,138,872
– Banks and other financial institutions	22,845,231	19,193,483
– Corporate entities	8,739,535	8,818,816
	58,883,401	47,151,171
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income		
– Governments and central banks	27,249,427	27,471,539
– Banks and other financial institutions	48,004,843	45,079,112
– Corporate entities	55,866,150	55,843,502
Equity securities at fair value through other comprehensive income		
– Banks and other financial institutions	10,449	10,581
	131,130,869	128,404,734
	190,014,270	175,555,905

Notes to the Unaudited Interim Financial Statements

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19 FIXED ASSETS

	Equipment	Property improvement	Transportation equipment	Total
Cost				
As at 1 January 2026	172,390	181,004	3,126	356,520
Additions	4,101	9,357	–	13,458
Disposals	(1,470)	–	–	(1,470)
As at 30 June 2026	175,021	190,361	3,126	368,508
Accumulated depreciation				
As at 1 January 2026	(100,815)	(137,934)	(3,126)	(241,875)
Charge for the period	(10,953)	(17,302)	–	(28,255)
Disposals	1,445	–	–	1,445
As at 30 June 2026	(110,323)	(155,236)	(3,126)	(268,685)
Net book value				
As at 30 June 2026	64,698	35,125	–	99,823
	Equipment	Property improvement	Transportation equipment	Total
Cost				
As at 1 January 2025	164,799	171,603	3,126	339,528
Additions	9,272	9,459	–	18,731
Disposals	(1,681)	(58)	–	(1,739)
As at 31 December 2025	172,390	181,004	3,126	356,520
Accumulated depreciation				
As at 1 January 2025	(79,719)	(101,521)	(2,692)	(183,932)
Charge for the year	(22,720)	(36,471)	(434)	(59,625)
Disposals	1,624	58	–	1,682
As at 31 December 2025	(100,815)	(137,934)	(3,126)	(241,875)
Net book value				
As at 31 December 2025	71,575	43,070	–	114,645

Notes to the Unaudited Interim Financial Statements

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20 OTHER ASSETS

	As at 30 June 2026	As at 31 December 2025
Interest receivable	3,076,248	3,010,381
Other receivables, prepayments and others	3,915,031	4,211,303
Settlement accounts	1,623,600	857,259
	8,614,879	8,078,943
Less: ECL allowance	(112,802)	(93,468)
	8,502,077	7,985,475
Intangible assets (note 20(a))	83,810	95,561
Precious metals (Note)	504,316	–
Total	9,090,203	8,081,036

Note: Precious metals are initially recognized and subsequently remeasured at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss and included in “Net gains/losses arising from trading activities” in the period in which they arise. The fair value of precious metals is determined based on market rate extracted from Bloomberg. Therefore, precious metals are classified as level 2.

(a) Intangible assets

	Software
Cost	
As at 1 January 2026	168,030
Additions	2,413
As at 30 June 2026	170,443
Accumulated amortization	
As at 1 January 2026	(72,469)
Amortization expenses	(14,164)
As at 30 June 2026	(86,633)
Net book value as at 30 June 2026	83,810
	Software
Cost	
As at 1 January 2025	142,516
Additions	25,514
As at 31 December 2025	168,030
Accumulated amortization	
As at 1 January 2025	(47,743)
Amortization expenses	(24,726)
As at 31 December 2025	(72,469)
Net book value as at 31 December 2025	95,561

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

21 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2026	As at 31 December 2025
Deposits from banks and other financial institutions	15,840,011	12,743,471
Financial assets sold under repurchase agreements (note 30)	24,576,068	4,379,432
Total	40,416,079	17,122,903

22 DUE TO CUSTOMERS

	As at 30 June 2026	As at 31 December 2025
Demand deposits and current accounts	11,552,386	12,562,084
Saving deposits	71,312,109	70,351,089
Time, call, notice and other deposits	264,675,019	258,504,832
	347,539,514	341,418,005
Including:		
Deposits pledged as collateral	3,685,158	3,147,030

23 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2026	As at 31 December 2025
Derivative financial instruments (note 16)	1,907,479	1,973,681

24 CERTIFICATES OF DEPOSITS ISSUED

	As at 30 June 2026	As at 31 December 2025
Carried at amortized cost	235,264	—

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

25 DEBT SECURITIES ISSUED

	As at 30 June 2026	As at 31 December 2025
Tier 2 capital bonds	7,842,516	7,784,100

On 8 July 2021, the Bank issued USD1,000 million Tier 2 capital bonds due 2031. These bonds have an initial distribution rate of 2.304% per annum, payable semi-annually in arrear from year 1 to year 5, and resettable on year 5 at the then-prevailing 5-year U.S. Treasury yield plus 1.4% per annum.

26 OTHER LIABILITIES

	As at 30 June 2026	As at 31 December 2025
Interest payable	1,374,142	1,492,882
Settlement accounts	1,490,908	1,496,832
Provision for impairment allowances on financial guarantees and credit related commitments	31,481	28,459
Others	2,769,977	3,040,293
Total	5,666,508	6,058,466

27 SHARE CAPITAL

	Number of shares	Share capital
As at 30 June 2026 and 31 December 2025	37,900,000,000	44,999,807
As at 1 January 2025	37,900,000,000	37,900,000

On 15 January 2025, the Bank transferred retained earnings of HK\$7,099,807,000 to share capital. Upon completion, the Bank's share capital increased from HK\$37,900,000,000 to HK\$44,999,807,000 and the number of shares of the Bank remained unchanged.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

28 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS AND OTHER COMMITMENTS

Financial guarantees and credit related commitments

The following table indicates the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank has committed to its customers:

	As at 30 June 2026	As at 31 December 2025
Letters of guarantee	123,006	139,292
Letters of credit commitments	489,476	548,115
Acceptances bills	435,525	463,692
Credit card commitments	4,262,890	4,318,921
Other credit related commitments		
– Under 1 year	30,829,294	25,594,508
– More than 1 year	11,403,252	10,465,328
	47,543,443	41,529,856

Capital expenditure commitments

	As at 30 June 2026	As at 31 December 2025
Contracted but not provided for	16,987	11,355

Operating lease commitments

As at 30 June 2026, the Bank has non-cancellable operating lease commitments of HK\$883,000 (31 December 2025: HK\$2,241,000) related to short-term leases, which are the leases with a lease term of 12 months or less.

29 NOTES TO STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than or equal to 90 days used for the purpose of meeting short-term cash commitments:

	As at 30 June 2026	As at 31 December 2025
Cash and balances with central bank (note 13)	689,190	1,564,727
Due from and placements with banks and other financial institutions	28,766,808	26,937,165
	29,455,998	28,501,892

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

30 COLLATERALS

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties.

Sales and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a specified future date. Since the repurchase prices are fixed, the Bank is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Bank does not have the ability to use during the term of the arrangements, are not derecognized from the financial statements but regarded as “collateral” for the secured lending because the Bank retains substantially all the risks and rewards of these securities. In addition, the Bank recognizes a financial liability for cash received.

As at 30 June 2026 and 31 December 2025, the Bank entered into repurchase agreements with certain counterparties. The proceeds from selling such securities were presented as “financial assets sold under repurchase agreements” (see note 21).

	Transferred assets		Associated liabilities	
	As at 30 June 2026	As at 31 December 2025	As at 30 June 2026	As at 31 December 2025
Investment securities	25,007,636	4,473,217	(24,576,068)	(4,379,432)

31 MATERIAL RELATED PARTY TRANSACTIONS

During the period ended 30 June of 2026, the Bank has disposed certain loans and advances to customers of HK\$1,200,229,000 (30 June 2025: HK\$1,713,805,000) to the ultimate holding company.

In addition to the above, all related party transactions that took place for the period ended 30 June 2026 were similar in nature to those disclosed in the 2025 Annual Report. There were no changes in the related party transactions described in the 2025 Annual Report that have had a material effect on the financial position or performance of the Bank for the period ended 30 June 2026.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

32 SEGMENTAL ANALYSIS

The Bank manages the business mainly from an operating segment perspective and the majority of the Bank's revenues, profits before tax and assets are derived from Hong Kong. The Bank is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others" segment mainly comprises unallocated revenue and expenses and corporate expenses.

The business information of the Bank is summarized as follows:

	Six months ended 30 June 2026				
	Corporate Banking	Personal Banking	Treasury	Others	Total
External net interest income/(expense)	1,663,497	(2,119,851)	4,402,313	–	3,945,959
Inter-segment net interest (expense)/income	(1,102,210)	3,083,147	(1,980,937)	–	–
Net interest income	561,287	963,296	2,421,376	–	3,945,959
Other operating income	170,399	673,957	327,019	2,635	1,174,010
Total operating income	731,686	1,637,253	2,748,395	2,635	5,119,969
Change in expected credit losses	(465,684)	(92,653)	(85,809)	(304)	(644,450)
Other operating expense					
– Depreciation and amortization	(1,996)	(121,547)	(21)	(11,582)	(135,146)
– Others	(105,533)	(697,534)	(52,031)	(46,460)	(901,558)
Profit/(loss) before tax	158,473	725,519	2,610,534	(55,711)	3,438,815
Income tax expense	–	–	–	(557,558)	(557,558)
Net profit/(loss) for the period	158,473	725,519	2,610,534	(613,269)	2,881,257
As at 30 June 2026					
Segment assets	183,104,759	72,833,812	213,733,915	–	469,672,486
Unallocated assets	–	–	–	270,471	270,471
Total assets	183,104,759	72,833,812	213,733,915	270,471	469,942,957
Segment liabilities	(60,728,981)	(289,813,544)	(52,473,174)	–	(403,015,699)
Unallocated liabilities	–	–	–	(1,579,930)	(1,579,930)
Total liabilities	(60,728,981)	(289,813,544)	(52,473,174)	(1,579,930)	(404,595,629)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2026

(All amounts expressed in thousands of HK\$ unless otherwise stated)

32 SEGMENTAL ANALYSIS *(continued)*

	Six months ended 30 June 2025				
	Corporate Banking	Personal Banking	Treasury	Others	Total
External net interest income/(expense)	2,054,863	(2,772,289)	5,017,579	–	4,300,153
Inter-segment net interest (expense)/income	(1,522,680)	3,823,441	(2,300,761)	–	–
Net interest income	532,183	1,051,152	2,716,818	–	4,300,153
Other operating income/(expense)	152,036	573,737	58,018	(14,100)	769,691
Total operating income/(expense)	684,219	1,624,889	2,774,836	(14,100)	5,069,844
Change in expected credit losses	(275,042)	(204,251)	(75,012)	(1,588)	(555,893)
Other operating expense					
– Depreciation and amortization	(2,169)	(115,076)	(21)	(10,870)	(128,136)
– Others	(93,478)	(647,571)	(52,469)	(7,382)	(800,900)
Profit/(loss) before tax	313,530	657,991	2,647,334	(33,940)	3,584,915
Income tax expense	–	–	–	(560,329)	(560,329)
Net profit/(loss) for the period	313,530	657,991	2,647,334	(594,269)	3,024,586
As at 30 June 2025					
Segment assets	167,933,744	67,393,786	209,007,984	–	444,335,514
Unallocated assets	–	–	–	252,802	252,802
Total assets	167,933,744	67,393,786	209,007,984	252,802	444,588,316
Segment liabilities	(69,224,129)	(288,776,585)	(25,189,356)	–	(383,190,070)
Unallocated liabilities	–	–	–	(1,926,802)	(1,926,802)
Total liabilities	(69,224,129)	(288,776,585)	(25,189,356)	(1,926,802)	(385,116,872)

33 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

On 8 July 2026, the Bank redeemed the USD1,000 million Tier 2 capital bonds.

Bank of Communications (Hong Kong) Limited

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